GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

STARRED QUESTION NO:458
ANSWERED ON:20.12.2002
SEPARATE REGULATORY AUTHORITY FOR NON-BANKING FINANCIAL COMPANIES
NANDIPAKU VENKATASWAMY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Government have recently mooted a proposal to set up separate regulatory authority for Non-Banking Finance Companies (NBFCs);

(b) if so, the details thereof;

(c) the details of the steps taken by the Government to tighten norms and guidelines for granting permission for setting up of NBFCs; and

(d) the other safeguards taken to protect small investors who invest money in NBFCs ?

Answer

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH)

(a) to (d) : A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF THE LOK SABHA STARRED QUESTION NO. 458 SUBMITTED FOR ORAL REPLY ON 20TH DECEMBER, 2002 REGARDING `SEPARATE REGULATORY AUTHORITY FOR NON-BANKING FINANCIAL COMPANIES`, TABLED BY DR. N. VENKATASWAMY, M.P.

(a) & (b):- There is no such proposal under consideration of the Government at present.

(c) & (d) :- Reserve Bank of India (RBI) have reported that no Non-Banking Finance Company (NBFC) engaged in financial business can carry on/commence business of a non-banking financial institution without a Certificate of Registration from the Reserve Bank. The requirement of minimum Net Owned Fund (NOF) has been raised to Rs. 200 lakh effective from April 21, 1999. New companies registered with the Reserve Bank as NBFCs are not allowed to accept public deposits for two years from the commencement of their business.

Comprehensive regulatory framework has been put in place which is aimed at protecting the interests of the depositors and ensuring that NBFCs function on sound and healthy lines. The regulatory framework includes, inter-alia, compulsory registration, maintenance of liquid assets, transfer of at least 20% of net profit to reserve fund and empowering RBI to issue directions to NBFCs. RBI takes various actions against errant NBFCs for various defaults and contravention of provisions of RBI Act and directions issued thereunder. Government has introduced Financial Companies Regulation Bill, 2000 in the Lok Sabha on 13th December, 2000. The Bill has been referred to the Standing Committee on Finance by the Hon`ble Speaker, Lok Sabha.